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SURFACE TRANSPORTATION
BOARD

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RECORDATION NO. 20656 FILED

April 25, 1997

APR 25 '97

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APR 25 '97

11-50 AM

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
Washington, D.C. 20423

Dear Mr. Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a), are two (2) copies of a Locomotive Lease Agreement, dated as of March 11, 1997, a primary document as defined in the Board's Rules for the Recordation of Documents and the following secondary documents related thereto: a Loan and Security Agreement, and a Collateral Assignment of Contract and Consent, both dated March 11, 1997.

Locomotive Lease Agreement

Lessor: Canada Southern Railway Company
916 Vine Street
Connersville, Indiana 47331

Lessees: Southwest Pennsylvania Railroad, Incorporated
309 North Fifth Street
Youngwood, Pennsylvania 15697

Camp Chase Industrial Railroad, Incorporated
P.O. Box 28096
Columbus, Ohio 43228

Counter Part - LAM Lm

Mr. Vernon A. Williams
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Loan and Security Agreement

Debtor: Canada Southern Railway Company Incorporated
916 Vine Street
Connersville, Indiana 47331

Secured Party: DVI Financial Services, Inc.
500 Hyde Park
Doylestown, Pennsylvania 18901

Collateral Assignment of Contract

Assignor: Canada Southern Railway Company Incorporated
916 Vine Street
Connersville, Indiana 47331

Assignee: DVI Financial Services, Inc.
500 Hyde Park
Doylestown, Pennsylvania 18901

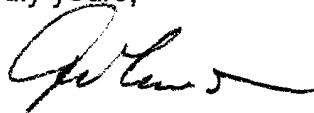
A description of the railroad equipment covered by the enclosed documents is:

two (2) locomotives SWP 1706 and CCRA 1855

Also enclosed is a check in the amount of \$72.00 payable to the order of the Surface Transportation Board covering the required recordation fee.

Kindly return stamped copies of each of the enclosed documents to the undersigned.

Very truly yours,



Robert W. Alvord

RWA/bg
Enclosures

APR 25 '97

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COLLATERAL ASSIGNMENT OF CONTRACT AND CONSENT

THIS COLLATERAL ASSIGNMENT OF CONTRACT (this "Agreement"), dated March 11, 1997, is entered into by Canada Southern Railway Company an Illinois Company ("CSR") and DVI Financial Services Inc., ("DVI").

This Agreement is entered into with reference to the following mutually agreed to facts:

1. On March 14th, 1997, CSR entered into a certain Locomotive Lease Agreement (the "Agreement") with Southwest Pennsylvania Railroad, Incorporated (SWP) and Camp Chase Industrial Railroad, Incorporated (CCRA). These parties have entered into the Agreement for the performance of the services by CSR, as specifically set forth in the Agreement, in connection with certain locomotives (the "Equipment").

2. CSR, concurrently herewith, is executing and delivering to DVI that certain Loan and Security Agreement and other Agreements and documents related thereto (collectively, the "Loan").

3. Pursuant to the Loan, DVI has agreed to loan to CSR such funds subject to, among other things, CSR entering into this Agreement.

NOW, THEREFORE, it is mutually agreed as follows:

1. **Collateral Assignment.**

CSR hereby collaterally assigns and grants to DVI a security interest in all of CSR's interest in and all of its rights flowing from and under the Agreement as security for the full payment and performance of CSR 's obligations, liabilities and indebtedness under the Loan Documents and under any other Agreement, notes, instruments or documents executed in favor of DVI or between CSR and DVI, including without limitation, the promissory notes, security Agreement, permanent financing Agreement and other documents and Agreement, relating to the financing of the acquisition by CSR and additional equipment similar to the Equipment; provided, however, CSR does not hereby delegate and DVI does not hereby assume any duties, liabilities or obligations of CSR under the Agreement.

2. Collateral Nature of Assignment.

DVI hereby acknowledges and agrees that so long as there exists no default of any of the terms of the Loan Documents and any other Agreements, CSR shall have the right to enjoy all of the rights, benefits and privileges arising under the Agreement.

3. Performance by CSR.

CSR agrees to perform, comply with, and be subject to all of the terms of the Agreement required to be performed or complied with by CSR, or to which CSR is subject, and, subject to the terms hereof, DVI shall be entitled to the benefit of all the rights, powers, privileges and protections of such terms and the same shall be enforceable and the remedies thereunder shall be exercisable by DVI, subject to the terms hereof.

4. Power of Attorney.

CSR hereby constitutes DVI, its successors and assigns, CSR's true and lawful attorney, irrevocably, with full power of substitution (in the name of CSR or otherwise) to ask, require, demand and receipt any and all obligations under the Agreement; to ask, require, demand, sue for and receipt any and all monies and claims for money due and to become due under or arising out of the Agreement; to endorse any checks or other instruments or orders in connection therewith; to give all or any of the notices, consents, instructions or other communications reserved to CSR in the Agreement; and to file any claims or to take any action or institute any proceedings which DVI, or any subsequent assignees, deemed to be necessary or advisable in its or their sole discretion.

5. Defaults.

Upon or at any time after the occurrence of breach of or default under any of the terms, provisions or conditions of the Loan Documents or the Agreement, DVI may, at its election, exercise, in addition to all of its rights and remedies under the Loan Documents, all of its rights and remedies as a secured party under the Uniform Commercial Code including, without limitation, the right to assume or assign to a third party the rights and benefits of CSR arising under the Agreement.

6. Notices to and Rights to Cure Defaults by DVI.

CSR hereby agrees that it shall give notice to DVI of the occurrence of any default under or breach of any term, condition or provision of the Agreement. CSR further agrees that DVI shall have the right but is under no duty or obligation, to cure, at DVI's election, any such default or breach irrespective

of whether DVI elects to treat such default or breach as a default under this Agreement or the Loan.

7. Term.

This Agreement shall remain in full force and effect so long as any of the obligations, liabilities and indebtedness of CSR to DVI, whether arising under the Loan Documents or otherwise, remain outstanding.

8. Choice of Law and Venue.

This Agreement shall be governed by, interpreted under, and construed in accordance with the internal laws (and not the law of conflicts) of the State of Pennsylvania. The parties hereto agree that all actions or proceedings arising in connection with this Agreement shall be heard, tried and litigated only in the state and federal courts located in the County of Bucks, State of Pennsylvania, or, at the option of DVI, proceedings and which has subject matter jurisdiction over the matter in controversy. CSR hereby waives any right to object to such venue and to assert the doctrine of forum non conveniens and hereby consents to any court ordered relief.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed on their behalf by their authorized officers on the day and year first above written.

State of Indiana :

County of Fayette :

Subscribed and sworn before me
this 18th day of March, 1997.

Sue Young
Notary Public

My Commission Expires:

SUE YOUNG
Notary Public Fayette Co. Indiana
My Commission Expires February 24, 1999

CANADA SOUTHERN RAILWAY
COMPANY, INCORPORATED ("CSR")

By: R. Powell Felt

Title: President

DVI Financial Services Inc.
("DVI")

By: [Signature]

Title: Director Portfolio Management